



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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February 8, 2001

CERTIFIED RETURN RECEIPT  
7000 0520 0021 7582 8579

Ms. Paula Doughty  
Kennecott Utah Copper Corporation  
8315 West 3595 South  
P.O. Box 6001  
Magna, Utah 84044-6001

Re: Review of Second Tailings Pipeline Amendment and Reclamation Surety Estimate, Kennecott Utah Copper Corporation (KUCC), UCD Modernization & 4th Line, M/035/011, Salt Lake County, Utah

Dear Ms. Doughty:

The Division has completed a review of the revised reclamation cost estimate provided by KUCC on January 31, 2000, to include reclamation of the second tailings pipeline. We apologize for our lengthy delay in completing a review of your response. The unit costs for the identified tasks and the methodology used in the revised reclamation cost estimate for the second tailings pipeline are acceptable to the Division. We have adjusted the KUCC cost estimate to include three years of escalation to coincide with the previous year 2003 escalation for this part of the surety under file M/035/011 (copy of estimate attached).

Please increase the reclamation surety for this portion of the M/035/011 permit to a total of \$8,600,000 by providing a rider to the existing surety, or by providing another acceptable form of surety for the new amount within 90 days of your receipt of this letter. Please provide the missing information in the enclosed Reclamation Contract and return the signed original to the Division with the replacement surety documents. A blank copy of the Reclamation Contract form (MR-RC) is also enclosed for your use. Copies of the complete signed surety documents will be sent to you after they have been approved by the Division Director.

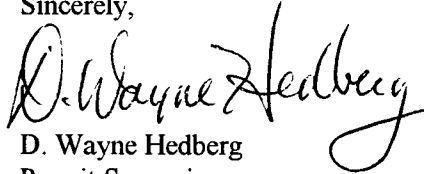
The reclamation cost estimate for this portion of permit M/035/011 will be due for a detailed technical review by the Division in the year 2003. As part of the detailed review, the Division will be asking KUCC to provide updated maps and an updated reclamation cost estimate at that time. A field inspection or series of inspections will also be required as part of the detailed review. We would also propose that a detailed review of the reclamation cost estimate for the other portion of file M/035/011 be completed at that same time in 2003. In addition, we ask that at that time KUCC provide justification for

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keeping two separate reclamation sureties for this file, or combine the amounts into one reclamation surety. We hope that by providing this advance notice for the year 2003 detailed surety estimate review, both KUCC and the Division will be able to complete the review in a timely manner.

As mentioned previously, this surety amount may be reduced in the future, if and when this second pipeline is firmly identified as part of a post-mining water management program. If you choose to post a new surety document rather than a rider to the existing surety, please contact Joelle Burns at (801) 538-5291 to obtain the most current surety forms. If you have any questions regarding this letter please contact me at (801) 538-5286, or Tony Gallegos at (801) 538-5267. Thank you for your continued cooperation and patience.

Sincerely,



D. Wayne Hedberg  
Permit Supervisor  
Minerals Reclamation Program

jb

Attachment: Division surety estimate of 01/30/2001

Enclosures: partially completed MR-RC Form and blank MR-RC form

cc: Mary Ann Wright, Associate Director

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1	<b>RECLAMATION SURETY ESTIMATE</b>		
2	<b>KENNECOTT UTAH COPPER CORPORATION</b>	<b>M/035/011</b>	<b>S&amp; Lake County</b>
3	<b>4th LINE - Second Tailings Pipeline Amendment</b>		
4	<b>Prepared by Utah State Division of Oil, Gas &amp; Minin</b>	<b>(AAG)</b>	<b>last revision 01/30/2001</b> <b>O:\BOND\DATA\BONDING\M35-11\pipe2.wb3</b>
5	-This estimate is based on the KUCC 2nd tailings Pipeline estimate dated January 31, 2000.		
6	-This calculation adjusts the KUCC January 31, 2000 estimate for escalation only.		
7	-This estimate is for the 2nd tailings pipeline amendment to the 4th Line part of file M/035/011.		
8	-Equipment mobilization and project supervision costs considered included in Overhead adjustments		
9	-This amendment surety amount to be added to the \$6,372,000 surety in 2003-\$ for the 4th Line.		
10	-A \$10,429,000 surety in 2000-\$ is held separately for the UCD Modernization part of M/035/011.		
11	-Amount of disturbed area which will receive reclamation treatments =	<b>588.0 acres</b>	
12	-Estimated total disturbed area for this mine =	<b>588.0 acres</b>	
13	<b>Activity</b>		<b>\$</b>
14	<b>REMOVE PIPE AND HAUL</b>		
15	<b>Crush Pipe</b>		
16	cat 225 backhoe w/hydraulic		203,777
17	water truck		78,399
18	cat 14G patrol		106,097
19	project supervisor		46,200
20	laborer		46,552
21	safety engineer		29,260
22	4x4 pickup truck		29,040
23	<b>Load Pipe</b>		
24	cat 980C loader		130,847
25	<b>Haul Pipe</b>		
26	dump truck, 17 ton payload - 4		319,774
27	<b>Bury Pipe At Toe of Dump</b>		
28	cat D10L dozer		37,075
29			
30	<b>DEMO DROP STRUCTURES</b>		
31	<b>Demo Concrete Structure</b>		
32	cat 225 backhoe w/hydraulic		231,565
33	<b>Haul Concrete to Bingham</b>		
34	cat 988B loader		54,620
35	dump truck, 17 ton payload - 4		109,014
36	cat 14G patrol		18,085
37			
38	<b>DEMO TRESSELS</b>		
39	cat 225 backhoe		13,257
40	laborer - 3		7,935
41			
42	<b>CAP BURIED PIPELINE</b>		
43	laborer		1,513
44	form material		1,000
45	concrete		1,500
46		<b>Subtotal</b>	<b>1,465,510</b>
47			
48	10% Direct Burden (KUCC Estimate)		146,551
49	10% Overhead Burden (KUCC Estimate)		146,551
50	6% Tax Burden (KUCC Estimate)		87,931
51		<b>Subtotal</b>	<b>1,846,543</b>
52			
53	10% Contingency		184,654
54	Total - 2nd Tailings Pipeline Amendment - 2000-\$		2,031,197
55	Escalate for 3 years at 3.13% per yr		196,762
56		<b>Total</b>	<b>2,227,958</b>
57	<b>Rounded surety amount for 2nd Tailings Pipeline Amendment in yr 2003-\$</b>		<b>\$2,228,000</b>
58			
59	<b>Add to existing rounded surety amount in 2003-\$</b>		<b>\$6,372,000</b>
60			
61	<b>TOTAL SURETY AMOUNT - 4TH LINE PART OF M/035/011 - 2003-\$</b>		<b>\$8,600,000</b>
62	<b>Overall average cost per acre = \$14,626</b>		